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GENERAL

1. Poland asks that Berlin Allied Control Council be reconvened--
US Political Adviser Murphy in Berlin reports that the chief of the Polish Military Mission in Berlin has requested the French Military Governor to convene immediately the Allied Control Council for a discussion of the six-power recommendations on Germany. The Polish request alleges that the recommendations impair the authority of the Council and constitute an infringement of existing quadripartite obligations and the Potsdam agreements.

(CIA Comment: This request is undoubtedly prompted by the USSR. If a new session should be held, it would give the USSR opportunity for: (a) attacks on the London recommendations; (b) proposals for quadripartite currency reform or other "conciliatory" suggestions; and (c) a formal request for dissolution of the Control Council and withdrawal of the allies from Berlin if Soviet "conciliation" is rejected.)

EUROPE

2. FRANCE: French reservations not to damage London agreement--
US Ambassador Caffery reports that although he cannot make an authoritative comment on implications of the French Assembly resolution on the London agreements until he has had a frank talk with French leaders, the resolution contains no reservations sufficiently specific to prevent implementation of the London recommendations. Caffery adds that everything depends on the spirit in which the negotiations implementing the London agreement are carried out.
3. GERMANY: Threatened food crisis in western Germany--
US Political Adviser Murphy reports that bread grain stocks in the US-UK Zone are dangerously low and that maintenance of the bread ration during the next two months will depend on the prompt arrival of US food imports scheduled for June and July. Murphy indicates that the full bread ration seems assured

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for the Ruhr but that the other western German laender face the possibility of cuts of 500 to 1000 grams per month.

(CIA Comment: CIA believes that if such cuts are made following recent promises to raise the normal consumer ration in western Germany, very serious labor unrest will follow, particularly in view of the present German uneasiness over the effects of currency reform and the establishment of a provisional western German government.)

Currency reform may bring new Soviet controls---
US Commanding General Clay believes that the tightening of Soviet controls about 10 June resulted from Soviet apprehensions that currency reform in the western zones might take place at that time. Clay is inclined to think "this is more likely than a further tightening at the moment to force us from Berlin." Clay comments, "that move will come when we install separate currency, if it comes at all."

FAR EAST

4. MALAYA: Lawlessness reaches serious proportions---According to the US Naval Liaison Officer and US Consul General Singapore, general lawlessness in Malaya has reached such serious proportions that the UK High Commissioner of the Malaya Federation has proclaimed emergency special police power in the states of Perak and Jahore and has given estate managers permission to carry arms. The US representatives believe that with the granting of extra legal and police powers, the British can deal with the situation. However, the Naval Liaison Officer, who indicates that much of the lawlessness is politically inspired, believes that internal security can be maintained only along the main line of communications on the west coast if serious clashes develop between Chinese Kuomintang and Communist elements.

(CIA Comment: In view of the confirmed existence of an underground Kuomintang "army" in northern Malaya, CIA believes there is a distinct possibility of clashes between the Chinese Nationalist and Communist elements. In any case, the present situation is a further indication of growing Communist activity designed to create maximum political unrest and economic dislocation in Southeast Asia.)

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